

# Magnus Financial Group LLC

FORM ADV PART 2A

BROCHURE

Item 1 – Cover Page

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This brochure provides information about the qualifications and business practices of Magnus Financial Group LLC. If you have any questions regarding the contents of this brochure, please do not hesitate to contact our Chief Compliance Officer, David Harrison, by telephone at (800) 339-1367 or by email at [david.harrison@magnusfinancial.com](mailto:david.harrison@magnusfinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Magnus Financial Group LLC is a registered investment advisor. Registration with the SEC or any state securities authority does not imply a certain level of skill or training. Additional information about Magnus Financial Group LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 31, 2021

**Item 2 – Material Changes**

Magnus Financial Group LLC (“Magnus”) has not made any material changes to this Brochure since its last annual updated Brochure filing, dated March 30, 2020. However, Magnus below has made certain non-material disclosure changes and/or enhancements at Items 4, 5, 12, 14 and 15 regarding financial planning services and limitations, advisory fees, portfolio activity, retirement rollovers, fee dispersion, non-soft dollar economic assistance, and custody.

**ANY QUESTIONS:** Magnus’ Chief Compliance Officer, David Harrison, remains available to address any questions regarding these non-material disclosure changes and/or enhancements, or any other issue pertaining to this Brochure.

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## Item 4 – Advisory Business

### A. Description of the Advisory Firm

Magnus Financial Group LLC (“Magnus” or the “Firm”) is a limited liability company organized in Delaware and is an investment advisory firm registered with the SEC. Magnus is wholly-owned by Magnus Financial Holdings, LLC. The majority owner of Magnus Financial Holdings, LLC is Magnus Financial LLC, whose majority owner is Michael Schwartz.

### B. Types of Advisory Services

Magnus provides personalized financial planning and counseling and discretionary and non-discretionary investment advisory services to individuals and entities, including, but not limited to, family offices, trusts, estates, businesses and qualified retirement plan sponsors.

#### *Financial Planning and Consulting Services*

Magnus may provide financial planning and/or consulting on a stand-alone basis or in conjunction with the investment advisory services below. These services may include advice on investment and non-investment related matters, such as estate planning and insurance planning. If clients engage Magnus for these services, the client will generally enter into a financial planning and consulting arrangement with Magnus setting forth the terms and conditions of the engagement, describing the scope of the services to be provided and other terms such as any fees due to Magnus. In performing its services, Magnus shall not be required to verify any information received from clients or from the clients’ other professionals, and is expressly authorized to rely thereon. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Magnus), Magnus may determine to charge for such additional services, the dollar amount of which will be separately agreed upon with the client.

Magnus may consider some or all of the following things when creating a financial plan:

- Personal: Family records, budgets, personal liability and information on the client’s estate and financial goals.
- Tax and Cash Flow: Effective income tax rate, spending and planning for past, current and future years as well as the impact of various investments on current income tax and future tax liability.
- Death & Disability: Cash needs at death, the income needs of surviving dependents, as well as estate planning and disability income analysis.

- Retirement: Cash flow analysis of current strategies and integrative investment plans to help clients achieve their retirement goals.
- Investments: Investment alternatives and their effect on a client's portfolio.

Magnus may use software developed by a third-party (such as eMoney Advisor, LLC) to help provide financial planning and consulting services. Such software provides access to features along with sophisticated technology which Magnus believes will provide benefits to its clients, such as:

- Account aggregation (to show clients a consolidated picture of their holdings and accounts);
- An online vault to store important documents in a secure environment;
- Interactive tools;
- Online reports;
- Analysis tools;
- Educational planning;
- Cash flow analysis;
- Risk management needs; and
- Estate planning tools.

Magnus offers to provide to clients the ability for clients to enter personal financial data into a software database accessible to both Magnus and the client. Such supplemental services may be offered for an additional fee or as part of an agreement for financial planning and consulting services.

Clients are responsible for promptly notifying Magnus if there is a significant change in the client's financial situation or investment objectives since it may cause Magnus to re-evaluate or revise Magnus' previous recommendations and/or services.

Magnus' financial planning and consulting services may include advice regarding private investment funds, the description of which (the terms, conditions, risks, conflicts and fees, including incentive compensation) would be set forth in the fund's offering documents. Clients should be aware that private investment funds generally involve various additional risk factors, such as the potential to lose some or all of their investment, the inability to convert the investment to cash and the lack of transparency regarding the funds and their underlying investments. Private investment funds also do not provide daily liquidity or pricing like other investments. Clients should review a fund's offering document for a complete discussion of the related risks. If a client determines to become an unaffiliated private fund investor, the

amount of assets invested in the fund(s) would be included as part of “assets under management” for purposes of Magnus calculating its investment advisory fee. The current value of a client’s private investment fund could be significantly more or less than its initial purchase price and/or a value as of a previous date. Because of the above additional risk factors, Magnus recommends private investment funds on a non-discretionary basis to those clients for whom it believes such an investment is appropriate. No client is under any obligation to consider or invest in a private fund.

Magnus may also provide advice regarding restricted stock options or other equity-based compensation a client may have received as an employee, officer or director of a publicly-traded company. The firm’s advice on these investments may include different financial options a client can use to convert the options into shares, among others.

Magnus may recommend the services of other professionals for non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc.), including some of Magnus’ representatives in their separate individual capacities as insurance agents and/or other affiliated (see Item 10 below) and/or unaffiliated professionals (i.e., attorneys, accountants, insurance agents, etc.) to implement its recommendations. Clients are advised that a conflict of interest exists if Magnus recommends its own services, as such a recommendation may increase the advisory fees paid to Magnus or an additional fee may be incurred by the client for such services.

The client is under no obligation to act upon any of the recommendations made by Magnus under a financial planning or consulting engagement to engage the services of any such recommended professional. The client retains absolute discretion over all such financial planning and consulting implementation decisions and is free to accept or reject any recommendation from Magnus. If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and **not** Magnus, shall be responsible for the quality and competency of the services provided.

### *Investment Management*

In designing and implementing customized strategies, Magnus can manage, on a discretionary or non-discretionary basis, a broad range of investment strategies and vehicles. Any clients that engage Magnus on a non-discretionary basis must be willing to accept that Magnus cannot effect account transactions without obtaining prior written consent to any such transactions from the client. Thus, for example, if in the event of a market correction during which the client

is unavailable, Magnus would be unable to effect an account transaction (as it can for its discretionary clients) without first obtaining the client's approval.

Magnus primarily allocates client assets among various mutual funds, index funds, exchange-traded funds ("ETFs"), and individual debt and equity securities in accordance with clients' stated investment objectives, risk profile and financial situation.

Where appropriate, Magnus may provide advice about positions clients held in their portfolios prior to engaging Magnus. Clients may also engage Magnus to manage and/or advise on certain investment products that are not maintained at their primary custodians, such as annuity contracts and assets held in employee-sponsored retirement plans and qualified tuition plans (for example, 529 plans). In situations involving 529 plans and qualified employer sponsored retirement plans, Magnus may direct or recommend the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

Magnus may further recommend to clients that all or a portion of their investment portfolio be managed on a discretionary basis by one or more affiliated or unaffiliated money managers, sub-advisors or investment platforms ("External Managers") in accordance with the client's designated investment objective(s). Factors that Magnus may consider in recommending independent External Manager[s] include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The client may be required to enter into a separate agreement with the External Manager(s), which would set forth the terms and conditions of the client's engagement of the External Manager, or the client would receive a statement of investment selection in a single contract relationship through the custodian. Magnus generally renders services to the client relative to the discretionary selection of External Managers. Magnus also assists in establishing the client's investment objectives for the assets managed by External Managers, monitors and reviews the account performance and defines any restrictions on the account. The investment management fees charged by the designated External Managers, together with the fees charged by the corresponding custodian of the client's assets, are exclusive of, and in addition to, the annual advisory fee charged by Magnus.

Magnus may provide asset management services for trustees of non-U.S. pension funds.

### **C. Client-Tailored Advisory Services**

Each client's needs are different. Magnus tailors its investment advisory services to the specific



needs of each client. Each investment advisory client is provided an advisor whose role is to facilitate the provision of investment advisory services that are tailored to the client's unique circumstances. Magnus consults with clients on an initial and ongoing basis to assess their specific risk tolerances, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. If clients' financial situations change, or if their investment objectives or risk tolerances change, clients are advised to promptly notify Magnus of such changes in writing. Clients may impose reasonable restrictions on the management of their accounts if Magnus determines, in its sole discretion, that the conditions would not materially impact the performance of a management strategy or prove overly burdensome for Magnus' management efforts.

### *Miscellaneous*

#### **Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.**

To the extent requested by the client, Magnus will generally provide financial planning and related consulting services regarding non-investment related matters, such as estate planning advice, insurance advice, etc. Magnus will generally provide such consulting services inclusive of its advisory fee set forth at Item 5 below (exceptions do occur based upon assets under management, special projects, stand-alone planning engagements, etc., for which the Firm may charge a separate or additional fee). **Please Note:** Magnus does not serve as an attorney, accountant, or insurance agent, and no portion of our services should be construed as same. Accordingly, Magnus does not prepare legal documents, prepare tax returns, or sell insurance products. As indicated above, to the extent requested by a client, we may recommend the services of other professionals for non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc.), including, as discussed below, representatives of Magnus in their separate individually licensed capacities as licensed insurance agents.

**Retirement Rollovers-Potential for Conflict of Interest.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Magnus recommends that a client roll over their retirement plan assets into an account to be managed by Magnus, such a recommendation creates a potential conflict of interest if Magnus will earn new (or increase its current) compensation as a result of the rollover. When acting in such capacity, Magnus serves as a fiduciary under the Employee Retirement Income Security Act (ERISA), or the Internal Revenue Code, or both. **No client is under any obligation to roll over**

**retirement plan assets to an account managed by Magnus.**

**Portfolio Activity.** Magnus has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Magnus will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, market conditions, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Magnus determines that changes to a client's portfolio are neither necessary, nor prudent. Clients remain subject to the fees described in Item 5 below during periods of account inactivity. Of course, as indicated below, there can be no assurance that investment decisions made by Magnus will be profitable or equal any specific performance level(s).

**Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Magnus) will be profitable or equal any specific performance level(s).

**D. Assets Under Management**

As of December 31, 2020, Magnus had approximately \$1,819,790,600 in regulatory assets under management, all of which were managed on a discretionary basis. As of December 31, 2020, Magnus had approximately \$1,218,687,020 in assets under advisement (i.e., assets monitored by Magnus, but for which Magnus does not retain trading authority).

Notwithstanding the foregoing, it should be noted that due to the departure of two financial advisors from Magnus in January 2021, the regulatory assets under management was reduced and as of January 31, 2021, Magnus had approximately \$895,703,720 in regulatory assets under management and \$26,750,885 in assets under advisement.

**Item 5 – Fees and Compensation****A. Fee Schedule for Advisory Services**

Magnus charges an annual advisory fee which is billed quarterly and agreed upon with each client and set forth in an agreement executed by Magnus and the client. Magnus and any client may, however, agree to adjust the fee annually or on a more frequent basis.

Magnus' annual advisory fee is generally based on a percentage of the assets under management in the client's account. Magnus' fee for investment advisory services is negotiable and varies based on a multitude of factors, including, but not limited to, the size of the relationship and the nature and complexity of the products and investments involved, service intensity, degree of custom work, time requirement, number of entities, number of family members served and travel requirements. The fee for most clients ranges between 0.5% and 1.5% annually of the client's total assets under management. Magnus may also agree to enter into a flat fee arrangement with a client.

**Please Note:** Magnus, in its discretion, may charge a lesser investment advisory fee, charge a flat fee, waive its fee entirely, or charge fee on a different interval, based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.). As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisors for similar or lower fees.

The investment advisory agreement between Magnus and the client may be terminated at will by either Magnus or the client. Magnus does not impose termination fees when the client terminates the investment advisory relationship, except when agreed upon in advance.

Magnus may offer clients the provision of a financial review included in the initial consultation at no additional cost to the clients. Such service is subject to the availability of the client and the timely cooperation of the client.

The hourly rate for ad-hoc and project-based consultations for clients could vary depending on the services provided and the experience, knowledge, and skill of those performing the services on behalf of Magnus. Hourly rates may generally range from \$150 to \$1,000 per hour. The scope and charges of all hourly ad-hoc work must be agreed-upon in writing by Magnus and the client before any billing begins.

Magnus does not maintain a minimum fee or a minimum level of account assets.

## **B. Billing and Payment of Fees**

Magnus generally deducts its advisory fee from the client's investment account(s) held at the client's custodian. Upon engaging Magnus to manage such account(s), the client grants Magnus the limited authority (which can be withdrawn at any time by the client) to deduct its advisory

fee from the client's account(s) through an investment advisory agreement relating to his/her account(s). The fee generally is billed in advance on a quarterly basis, except for some clients that have 401k plans on third party platforms and to the extent specifically requested by the client the client may be billed quarterly in arrears.

A newly-managed account is charged a fee from the start date to the end of the initial quarter based on the number of days remaining in the quarter. For new accounts, the advisory fee is based on the market value of the account the day prior to the start date. Thereafter, the quarterly fee is based on the market value of the account on the last business day of the previous quarter. Although clients generally are required to have their advisory fees deducted from their accounts, in some cases, Magnus may directly bill a client for advisory fees if it determines that such billing arrangement is appropriate given the circumstances.

The custodian of the client's accounts provides each client with a monthly statement indicating separate line items for all amounts disbursed from the client's accounts. Fees paid to Magnus are disclosed to clients through statements from the custodian.

### **C. Clients Responsible for Custodial and Brokerage Fees**

As discussed below at Item 12 below, when requested to recommend a custodian for client accounts, Magnus generally recommends that the custodians serve as the custodians for client investment management assets. The custodians may charge ticket charges, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, ticket charges, and/or other types of fees (as well as the amount of those fees) shall differ depending upon the custodian (while certain custodians do not currently charge fees on individual equity transactions, others do). When beneficial to the client, individual fixed-income and/or equity transactions may be effected through banks or other outside financial institutions. Any fees incurred through such transactions are in addition to Magnus' investment advisory fee described above. Magnus does not receive any portion of such fees.

### **D. Prepayment of Fees**

As noted in Item 5(B) above, Magnus' advisory fees generally are paid in advance. Upon the termination of a client's investment advisory relationship, Magnus will issue a refund equal to any unearned management fee for the remainder of the quarter. The client may specify how he/she would like such refund issued (i.e., a check sent directly to the client or a check sent to the client's custodian for deposit into his/her account).

### **E. Outside Compensation for the Sale of Securities or Other Investment Products to Clients**

Magnus does not receive any compensation for securities transactions in any client account, other than the investment advisory fees noted above.

Advisory persons of Magnus may also be licensed as independent insurance professionals. Such persons earn commission-based compensation for selling insurance products to clients. Insurance commissions earned by advisory persons who are independent insurance professionals are separate from and in addition to Magnus' advisory fee. This practice presents a conflict of interest as an advisory person who is an independent insurance professional may have an incentive to recommend insurance products for the purpose of generating insurance commissions rather than solely based on client needs. Clients are under no obligation to purchase insurance products through any person affiliated with Magnus.

### **Item 6 – Performance-Based Fees and Side-by-Side Management**

Magnus does not charge performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Magnus' fees are determined and calculated as described in Item 5 above.

### **Item 7 – Types of Clients**

Magnus provides personalized financial counseling and discretionary and non-discretionary investment advisory services to individuals and entities, including but not limited to, family offices, trusts, estates, businesses and qualified retirement plan sponsors.

Magnus, in its discretion, may charge a lesser investment advisory fee, charge a flat fee, waive its fee entirely, or charge fee on a different interval, based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.).

**Please Note:** As result of the above, similarly situated clients could pay different fees. In

addition, similar advisory services may be available from other investment advisors for similar or lower fees.

## **Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss**

### **A. Methods of Analysis and Investment Strategies**

A primary step in Magnus' investment strategy is getting to know the clients – to understand their financial condition, risk profile, investment goals, tax situation, liquidity constraints – and assemble a complete picture of their financial situation. To aid in this understanding, Magnus offers clients comprehensive financial planning. This approach is integral to the way that Magnus does business. Once Magnus has a true understanding of its clients' needs and goals, the investment process can begin, and the Firm can recommend strategies and investments that it believes are aligned with the clients' goals and risk profiles.

Magnus has an investment committee. Members of the investment committee provide input into selecting assets and products from across many asset classes, including global and domestic equities, taxable and non-taxable fixed income, mutual funds, index funds, ETFs, and alternative investments. Once the members of the investment committee review the mutual funds, index funds, ETFs and alternative investments, they may be purchased and sold by Magnus advisors for clients. Similarly, Magnus may select certain External Managers to manage a portion of its clients' assets. Overall investment strategies recommended to each client generally emphasize long-term ownership of a diversified portfolio of marketable and non-marketable investments intended to provide consistent after-tax, risk-adjusted, economic returns.

Magnus generally (but not exclusively) recommends broad diversification via a long-term asset allocation strategy -- diversified both across asset classes and within investment styles -- in an effort to improve the risk and return potential of client portfolios. More specifically, Magnus may recommend multiple asset classes (both liquid and illiquid), market capitalizations, market styles, and geographic regions to provide diversification. Asset classes recommended by Magnus primarily include no-load mutual funds, index funds and ETFs. Investment recommendations may also include: equities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, U.S. government securities, options contracts, private funds and investment vehicles and interests in limited partnerships.

Client portfolios with similar investment objectives and asset allocation goals may own different securities and investments. The client's portfolio size, tax sensitivity, desire for simplicity, long-term wealth transfer objectives, time horizon and choice of custodian are factors that

influence Magnus investment recommendations.

Each portfolio maintains a long-term target asset allocation and a corresponding investment policy statement. During periodic reviews, Magnus advisors generally review with the client the extent to which the actual allocation matches the target allocation. When a Magnus advisor considers the variance excessive (in general greater than 5%), the advisor may provide recommendations to the client to bring the actual allocation within an acceptable range of the target. This process, known as “rebalancing,” offers a systematic and disciplined way to trim investment classes that have been in favor and redeploy capital to asset classes that have been out of favor.

Investment advice given to clients more often than not includes recommending long-term purchases or holding on to certain assets. However, other investment strategies that may also be recommended include short-term purchases, margin transactions, shorting, and options (including buying puts or selling covered calls).

Investing in securities involves a risk of loss. A client can lose all or a substantial portion of his/her investment. A client should be willing to bear such a loss. Some investments are intended only for sophisticated investors and can involve a high degree of risk.

## **B. Material Risks Involved**

The mutual funds and ETFs that Magnus frequently invests client assets with or recommends to clients generally own securities and therefore also involve the risk of loss that is inherent in investing in securities. The extent of the risk of ownership of fund shares generally depends on the type and number of securities held by the fund. Mutual funds invested in fixed income securities are subject to the same interest rate, inflation, and credit risks associated with the fund’s underlying bond holdings. Fixed income securities may decrease in value as a result of many factors, for example, increases in interest rates or adverse developments with respect to the creditworthiness of the particular issuer. Risks also may be significantly increased if a mutual fund pursues an alternative investment strategy. An investment in an alternative mutual fund involves special risks such as risk associated with short sales, leveraging the investment, potential adverse market forces, regulatory changes, and potential illiquidity. Investing in alternative strategies presents the opportunity for significant losses. Returns on mutual fund investments are reduced by management costs and expenses.

An ETF’s risks include declining value of the securities held by the ETF, adverse developments in the specific industry or sector that the ETF tracks, capital loss in geographically focused funds because of unfavorable fluctuation in currency exchange rates, differences in generally accepted

accounting principles, economic or political instability, tracking error (the difference between the return of the ETF and the return of its benchmark), and trading at a premium or discount, meaning the difference between the ETF's market price and net asset value. ETFs also are subject to the individual risks described in their prospectus. Although many mutual funds and ETFs may provide diversification, risks can be significantly increased if a mutual fund or ETF is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage to a significant degree, or concentrates in a particular type of security. One of the main advantages of mutual funds and ETFs is that they give individual investors access to professionally managed, diversified portfolios of equities, bonds and other securities.

Although the goal of diversification is to combine investments with different characteristics so that the risks inherent in any one investment can be balanced by assets that move in different cycles or respond to different market factors, diversification does not eliminate the risk of loss. In some circumstances, price movements may be highly correlated across securities and funds.

A specific fund may not be diversified and a client portfolio may not be diversified. Additionally, when diversification is a client objective, there is risk that the strategies that the Firm uses may not be successful in achieving the desired level of diversification. There is also risk that the strategies, resources, and analytical methods that the Firm uses to identify mutual funds and ETFs will not be successful in identifying investment opportunities.

Past performance of a security or a fund is not necessarily indicative of future performance or risk of loss. The following events also could cause mutual funds, ETFs, and other investments in client portfolios to decrease in value:

- **Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of an equity security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, changes in political, economic and social conditions may trigger adverse market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar will next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the U.S. dollar against the currency of the investment's originating country. This is also referred



to as exchange rate risk.

- **Event Risk:** An adverse event affecting a particular company or that company's industry could depress the price of a client's investments in that company's stocks or bonds. The company, government or other entity that issued bonds in a client's portfolio could become less able to, or fail to, repay, service or refinance its debts, or the issuer's credit rating could be downgraded by a rating agency. Adverse events affecting a particular country, including political and economic instability, could depress the value of investments in issuers headquartered or doing business in that country.
- **Liquidity Risk:** Securities that are normally liquid may become difficult or impossible to sell at an acceptable price during periods of economic instability or other emergency conditions. Some securities may be infrequently or thinly traded even under normal market conditions.
- **Domestic and/or Foreign Political Risk:** The events that occur in the U.S. relating to politics, government, and elections can affect the U.S. markets. Political events occurring in the home country of a foreign company such as revolutions, nationalization, and currency collapse can have an impact on the security.
- **Reinvestment Risk:** This risk is that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Financial Risk:** Excessive borrowing to finance business operations increases the risk of profitability because the company must meet the payment obligations and terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Regulatory/Legislative Developments Risk:** Regulators and/or legislators may promulgate rules or pass legislation that places restrictions on, adds procedural hurdles to, affects the liquidity of, and/or alters the risks associated with certain investment transactions or the securities underlying such investment transactions. Such rules/legislation could affect the value associated with such investment transactions or underlying securities.
- **Global Health Risk:** Pandemic global health risks (such as Covid-19) could cause substantial unforeseen market and investment declines and economic hardships for

clients and businesses.

- **Illiquid Securities:** Investments in hedge funds and other private investment funds may underperform publicly offered and traded securities because such investments:
  - Typically require investors to lock-up their assets for a period of time and may be unable to meet redemption requests during adverse economic conditions;
  - Have limited or no liquidity because of restrictions on the transfer of, and the absence of a market for, interests in these funds;
  - Are more difficult to monitor and value due to a lack of transparency and publicly available information about these funds;
  - May have higher expense ratios and involve more inherent conflicts of interest than publicly traded investments; and
  - Involve different risks than investing in registered funds and other publicly offered and traded securities. These risks may include those associated with more concentrated, less diversified investment portfolios, investment leverage and investments in less liquid and non-traditional asset classes.

**Risks Associated with Options Trading.** Investments in options contracts have the risk of losing value in a relatively short period of time. Options are investments whose ultimate value is determined from the value of the underlying investment. Option contracts are leveraged instruments that allow the holder of a single contract to control many shares of an underlying stock or index. This leverage can compound gains or losses. In addition, if the client engages in writing covered calls for income purposes or protective puts for downside risk, the client risks having the client's underlying stock being "called away," resulting in potential undesired tax consequences. Clients who determine to engage in options trading must accept these additional risks. In addition, clients must complete options suitability paperwork through the custodian of record in order to enable the client account to be able to engage in options trading.

### *Cybersecurity*

The computer systems, networks and devices used by Magnus and service providers to Magnus and its clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and

telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach.

Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, External Managers, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent or attempt to prevent cybersecurity breaches in the future.

### **C. Unusual Risks of Specific Securities**

#### *Risks Associated with Initial Public Offerings*

Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of the company's shares.

#### *Risks Associated with Closed-End Funds*

Closed-end funds typically use a high degree of leverage. They may be diversified or non-diversified. Risks associated with closed-end fund investments include liquidity risk, credit

risk, volatility and the risk of magnified losses resulting from the use of leverage. Additionally, closed-end funds may trade below their net asset value.

#### *Risks Associated with Non-Purpose Portfolio Loans*

Some clients use non-purpose portfolio loans to create interim financing by collateralizing their existing securities. Risks associated with such loans include market risk, interest rate risk and the risk of magnified losses resulting from the use of leverage.

#### *Risks Associated with Structured Notes*

**Complexity.** Structured notes are complex financial instruments. Clients should understand the reference asset(s) or index(es) and determine how the note's payoff structure incorporates such reference asset(s) or index(es) in calculating the note's performance. This payoff calculation may include leverage multiplied on the performance of the reference asset or index, protection from losses should the reference asset or index produce negative returns, and fees. Structured notes may have complicated payoff structures that can make it difficult for clients to accurately assess their value, risk and potential for growth through the term of the structured note. Determining the performance of each note can be complex and this calculation can vary significantly from note to note depending on the structure. Notes can be structured in a wide variety of ways. Payoff structures can be leveraged, inverse, or inverse-leveraged, which may result in larger returns or losses. Clients should carefully read the prospectus for a structured note to fully understand how the payoff on a note will be calculated and discuss these issues with Magnus.

**Market risk.** Some structured notes provide for the repayment of principal at maturity, which is often referred to as "principal protection." This principal protection is subject to the credit risk of the issuing financial institution. Many structured notes do not offer this feature. For structured notes that do not offer principal protection, the performance of the linked asset or index may cause clients to lose some, or all, of their principal. Depending on the nature of the linked asset or index, the market risk of the structured note may include changes in equity or commodity prices, changes in interest rates or foreign exchange rates, and/or market volatility.

**Issuance price and note value.** The price of a structured note at issuance will likely be higher than the fair value of the structured note on the date of issuance. Issuers now generally disclose an estimated value of the structured note on the cover page of the offering prospectus, allowing investors to gauge the difference between the issuer's estimated value of the note and the issuance price. The estimated value of the notes is likely lower than the issuance price of the note to investors because issuers include the costs for selling, structuring and/or hedging

the exposure on the note in the initial price of their notes. After issuance, structured notes may not be re-sold on a daily basis and thus may be difficult to value given their complexity.

**Liquidity.** The ability to trade or sell structured notes in a secondary market is often very limited as structured notes (other than exchange-traded notes known as ETNs) are not listed for trading on security exchanges. As a result, the only potential buyer for a structured note may be the issuing financial institution's broker-dealer affiliate or the broker-dealer distributor of the structured note. In addition, issuers often specifically disclaim their intention to repurchase or make markets in the notes they issue. Clients should, therefore, be prepared to hold a structured note to its maturity date, or risk selling the note at a discount to its value at the time of sale.

**Credit risk.** Structured notes are unsecured debt obligations of the issuer, meaning that the issuer is obligated to make payments on the notes as promised. These promises, including any principal protection, are only as good as the financial health of the structured note issuer. If the structured note issuer defaults on these obligations, investors may lose some, or all, of the principal amount they invested in the structured notes as well as any other payments that may be due on the structured notes.

### **Item 9 – Disciplinary Information**

Magnus and its employees have not been involved in any legal or disciplinary events that would be material to a client's evaluation of Magnus, its advisory business or the integrity of its management.

### **Item 10 – Other Financial Industry Activities and Affiliations**

#### *Recommendation of External Managers*

Magnus may recommend that clients use External Managers based on the client's needs and suitability. Magnus does not receive separate compensation, directly or indirectly, from such External Managers for recommending that clients use their services. Magnus does not have any other business relationships with the recommended External Managers.

#### *Licensed Insurance Agents*

Certain of the Magnus' supervised persons, in their individual capacities are licensed insurance agents. Clients can choose to engage these supervised persons, in their individual capacities, to purchase insurance products on a commission basis. The recommendation by Magnus' supervised persons, that a client purchase an insurance commission product, presents a conflict

of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions received, rather than on a particular client's need. No client is under any obligation to engage the services any supervised person in their individual capacities as licensed insurance agents. Furthermore, clients are reminded that they may purchase insurance commission products recommended by Magnus through other non-affiliated insurance agents.

Certain Magnus advisory persons are licensed insurance agents. Further, certain Magnus advisory persons hold career agent contracts with Fifth Avenue Financial ("FAF"), an entity affiliated with MassMutual Financial Group ("MassMutual"), and may offer certain insurance policies and annuity contracts approved for distribution by MassMutual as well as other insurance carriers and providers, on a fully-disclosed commissionable basis. From time to time, Magnus advisory persons may refer other outside insurance brokers to assist with certain risk management services such as property and casualty insurance. An employee of Magnus is licensed for property and casualty coverages and Magnus can offer property and casualty coverage to clients through brokerage service agencies. As such, such employee receives a referral fee from such brokerage service agencies in the year the premium is paid and on future renewals and Magnus may also receive a referral fee.

A conflict of interest exists to the extent that a Magnus advisory person recommends the purchase of insurance products where he or she may be entitled to insurance commissions or other additional compensation, including a referral fee by Magnus. *See also* Item 5, *Fees and Compensation* in this brochure.

#### *Arrangements with MML Investor Services, LLC*

Magnus' investment advisory services are available on an investment platform sponsored by MML Investor Services, LLC ("MMLIS"), a member of MassMutual, and a registered broker-dealer. Magnus has entered into a solicitation arrangement with MMLIS whereby Magnus pays MMLIS a program fee for clients that are referred by certain MMLIS-approved registered representatives. Certain registered representatives and/or investment advisor representatives of MMLIS who are expressly authorized to refer clients to Magnus would receive a portion of the compensation paid to MMLIS under the solicitation arrangement. Clients are under no obligation to purchase insurance products or other services through any person affiliated with Magnus. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interests regardless of any such arrangements.

*Arrangements with Modus Park Associates*

Modus Park Associates, LLC (“Modus Park”), an entity wholly owned by Michael Schwartz, is the marketing name for several financial advisors affiliated with MMLIS and MassMutual. Magnus receives referrals for investment advisory business from Modus Park. Such advisors are not employed by Magnus. If an advisor from Modus Park successfully refers a client to Magnus, the Modus Park advisor receives a referral fee paid by Magnus to MMLIS.

Michael Schwartz, an advisory person with Magnus and one of its executive officers, may receive an override fee relating to first-year commissions generated on insurance policies through which insurance licensed Modus Park advisors receive insurance commissions. Clients are under no obligation to purchase insurance products through any person affiliated with Magnus or Modus Park.

Magnus has policies and procedures to ensure that it is acting in the best interests of its clients in providing investment advisory services and that investment decisions and recommendations are not a product of a conflict of interest.

*Merchant Wealth Management Holdings, LLC*

Merchant Wealth Management Holdings, LLC (“Merchant Wealth”), a subsidiary of Merchant Investment Management, LLC (“Merchant Investment”), owns a minority, non-controlling interest in Magnus. Merchant Investment, through subsidiaries other than Merchant Wealth, has ownership interests in various companies that provide investment and other consulting services to financial firms, including investment advisors (“Investment Solutions”) such as Piton Investment Management, L.P. Magnus is provided access to use these Investment Solutions, where Magnus may utilize the Investment Solutions pursuant to an engagement that Magnus or Magnus’ clients enter directly with the third party providing the Investment Solution. These Investment Solutions include, but are not limited to, third party money managers, private investments, pooled investment vehicles, or other investment products. Engagement of and with these Investment Solutions poses a potential conflict of interest due to the minority ownership interest that Merchant Investment’s various subsidiaries own in the third parties providing these Investment Solutions. Through Merchant Investment’s minority ownership interests in the third parties that provide these Investment Solutions, Merchant Investment may benefit from additional revenue that could be generated if Magnus engages any of these third-party service providers. Accordingly, Magnus may have an incentive to engage one or more of these Investment Solutions. In an effort to ensure these conflicts of interest are addressed, Magnus has implemented risk control and disclosure measures, the objective of

which is for Magnus to select Investment Solutions that are in the best interest of the client. Magnus is not controlled by Merchant Wealth or Merchant Investment and is operated independently where Merchant Investment and all other related subsidiaries are not involved with the services offered by Magnus and maintains its own office space.

#### *Cash Management Solutions*

Magnus may make available certain cash management platforms to clients in which clients may open FDIC-insured accounts through participating banks and fintech service providers. Under such a scenario, the participating banks may charge a fee, a portion of which may be shared with Magnus. Clients are not charged an additional fee by Magnus to access these platforms.

#### *Proactive Tax Planning*

Magnus advisors may provide referrals to unaffiliated third-party tax planning firms. Under such a scenario, the firm and Magnus may have a revenue sharing arrangement in place. Clients are under no obligation to engage tax planning services through any person affiliated with Magnus.

Clients would be under no obligation to utilize any of the services outlined above. Magnus has policies and procedures to ensure that it is acting in the best interests of its clients in providing investment advisory services and that investment decisions and recommendations are not a product of a conflict of interest.

At all times, the engaged licensed professional[s] (i.e. tax planning firms, cash management platforms, attorney, accountant, insurance agent, etc.), and **not** Magnus, shall be responsible for the quality and competency of the services provided.

### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions**

- A. Magnus maintains an investment policy relative to personal securities transactions. This investment policy is part of Magnus' overall Code of Ethics, which serves to establish a standard of business conduct for all of Magnus' representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Magnus also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Magnus or any person associated with Magnus.



- B. Neither Magnus nor any related person of Magnus recommends, buys, or sells for client accounts, securities in which Magnus or any related person of Magnus has a material financial interest.
- C. Magnus and/or representatives of Magnus may buy or sell securities that are also recommended to clients. This practice may create a situation where Magnus and/or representatives of Magnus are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Magnus did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of Magnus’ clients) and other potentially abusive practices.

Magnus has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Magnus’ “Access Persons.” Magnus’ securities transaction policy requires that Access Persons of Magnus must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person and on at least an annual basis thereafter.

- D. Magnus and/or representatives of Magnus may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Magnus and/or representatives of Magnus are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11.C, Magnus has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Magnus’ Access Persons.

## **Item 12 – Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker-Dealers**

Magnus does not maintain custody of client assets on which Magnus advises, other than as described in Item 15. Client assets must be maintained in an account at a “Qualified Custodian.”

Magnus generally recommends that its investment advisory clients custody their accounts/assets at unaffiliated broker/dealer custodians (each a “BD/Custodian”) with which Magnus has an institutional relationship. This includes Schwab Advisor Services, a division of Charles Schwab & Co., Inc. (together with all affiliates, “Schwab”) and, Fidelity Clearing & Custody Solutions, a division of Fidelity Brokerage Services LLC (together with all affiliates, “Fidelity”), which are “Qualified Custodians” as that term is described in Rule 206(4)-2 of the Investment Advisers Act of 1940. Each BD/Custodian provides custody of securities, trade execution, and clearance and settlement of transactions placed by Magnus as well as administrative support and related services. If client accounts are custodied at Schwab or Fidelity, Schwab or Fidelity (as applicable) will hold such client assets in an account and buy and sell securities when Magnus instructs it to do so if the client account is discretionary.

In deciding to recommend a BD/Custodian, some of the factors that Magnus considers include:

- Trade order execution and the ability to provide accurate and timely execution of trades;
- The reasonableness and competitiveness of pricing;
- Access to a broad range of investment products;
- Access to trading desks;
- Technology that integrates within Magnus’ environment, including interfacing with Magnus’ portfolio management system;
- A dedicated service or back office team and its ability to process requests from Magnus on behalf of its clients;
- Ability to provide Magnus with access to client account information through an institutional website; and
- Ability to provide clients with electronic access to account information and investment and research tools.

Magnus may place portfolio transactions through the BD/Custodian where the clients’ accounts are custodied. In exchange for using the services of the BD/Custodian, Magnus may receive, without cost, computer software and related systems support that allows Magnus to monitor and service its clients’ accounts maintained with such BD/Custodian.

Schwab and Fidelity also make available to Magnus products and services that benefit the Firm but may not directly benefit the client or the client's account. These products and services assist Magnus in managing and administering client accounts. They include investment research, both Schwab's and Fidelity's own and those of third parties. Magnus may use this research to service all or some substantial number of client accounts, including accounts not maintained at Schwab or Fidelity. In addition to investment research, Schwab and Fidelity also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of fees from Magnus' clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

Schwab and Fidelity also offer other services intended to help Magnus manage and further develop its business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

Schwab and Fidelity may provide some of these services themselves. In other cases, it may arrange for third-party vendors to provide the services to the Firm. Schwab and Fidelity may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab and Fidelity may also provide Magnus with other benefits such as occasional business entertainment of Firm personnel.

Magnus may add additional BDs/Custodians in the future.

**Magnus' Chief Compliance Officer, David Harrison, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflicts of interest presented by such arrangements.**

Magnus may offer clients trading services that give Magnus the ability to execute trades through outside banks and other financial institutions. In such instances where Magnus trades away from a BD/Custodian, the account does not incur additional trade-away fees from a BD/Custodian for specific transactions executed on a trade-away basis.

Trading away may be advantageous for the client because:

- the broker-dealer may have expertise in a particular security or market;
- the broker-dealer makes a market in a particular security;
- a particular security is thinly traded; and/or
- the broker-dealer can identify a counterparty for a trade.

Magnus will periodically review its arrangements with the BD/Custodians and other broker-dealers against other possible arrangements in the marketplace as it strives to achieve best execution on behalf of its clients. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including factors such as:

- a broker-dealer's trading expertise, including its ability to complete trades, execute and settle difficult trades, obtain liquidity to minimize market impact and accommodate unusual market conditions, maintain anonymity, and account for its trade errors and correct them in a satisfactory manner;
- a broker-dealer's infrastructure, including order-entry systems, adequate lines of communication, timely order execution reports, an efficient and accurate clearance and settlement process, and capacity to accommodate unusual trading volume;
- a broker-dealer's ability to minimize total trading costs while maintaining its financial health, such as whether a broker-dealer can maintain and commit adequate capital when necessary to complete trades, respond during volatile market periods, and minimize the number of incomplete trades;
- a broker-dealer's ability to provide research and execution services, including advice as to the value or advisability of investing in or selling securities, analyses and reports

concerning such matters as companies, industries, economic trends and political factors, or services incidental to executing securities trades, including clearance, settlement and custody; and

- a broker-dealer's ability to provide services to accommodate special transaction needs, such as the broker-dealer's ability to execute and account for client-directed arrangements and soft dollar arrangements, participate in underwriting syndicates, and obtain initial public offering shares.

As described above, the BD/Custodians provide to Magnus, without cost, research and trade execution services. Magnus has not entered into any formal "soft dollar" arrangements with the BD/Custodians or other broker-dealers.

#### *Brokerage for Client Referrals*

Magnus does not select or recommend BD/Custodians based solely on whether or not it may receive client referrals from such parties.

#### *Client-Directed Brokerage Accounts*

Generally, in the absence of specific instructions to the contrary, for accounts that clients engage Magnus to manage on a discretionary basis, Magnus has full discretion with respect to securities transactions placed in the accounts. This discretion includes the authority, without prior notice to the client, to buy and sell securities for the client's account and establish and effect securities transactions through the BD/Custodian of the client's account or other broker-dealers selected by Magnus. In recommending (per the above, generally Schwab and/or Fidelity) a BD/Custodian to execute a client's securities transactions, Magnus seeks prompt execution of orders at favorable prices. Magnus endeavors to understand the trading and execution capabilities of BD/Custodians, as well as their costs and fees. Magnus may assist such a client in facilitating trading and other instructions to the BD/Custodians in carrying out Magnus' investment recommendations.

However, the decision to use a particular BD/Custodian generally resides with the client. The client at his or her option, for example, may instruct Magnus to establish a brokerage account at Magnus' BD/Custodians without having Magnus as the advisory firm on the account. In such instances, the client directs all trading directly with the BD/Custodian. Magnus does not have discretion in such instances and does not charge advisory fees or have a fiduciary duty to the client on such accounts.

In directing brokerage transactions, a client should consider whether the commission expenses, execution, clearance, settlement capabilities, and custodian fees, if any, are comparable to those that would result if Magnus exercised its discretion in selecting the BD/Custodian to execute the transactions. Directing brokerage to a particular BD/Custodian may involve the following disadvantages to a directed brokerage client:

- Magnus' ability to negotiate commission rates and other terms on behalf of such clients could be impaired;
- such clients could be denied the benefit of Magnus' experience in selecting broker-dealers that are able to efficiently execute difficult trades;
- opportunities to obtain lower transaction costs and better prices by aggregating (batching) the client's orders with orders for other clients could be limited. Higher transactions fees could adversely impact performance; and
- the client could receive less favorable prices on securities transactions because Magnus may place transaction orders for directed brokerage clients after placing batched transaction orders for other clients.

### *Trade Errors*

Magnus' goal is to execute trades in the best interests of the client. In the event a trade error occurs, Magnus endeavors to identify the error in a timely manner, correct the error so that the client's account is in the position it would have been had the error not occurred, and, after evaluating the error, assess what action(s) might be necessary to prevent a recurrence of similar errors in the future.

Trade errors generally are corrected through the use of a "trade error" account or similar account at the BD/Custodian or another broker-dealer, as the case may be. In the event an error is made in a client account custodied elsewhere, Magnus would work directly with the BD/Custodian or in question to take corrective action. In all cases, Magnus will take the appropriate measures to return the client's account to its intended position.

### **B. Trade Aggregation**

Transactions for each client account generally will be effected independently unless Magnus decides to purchase or sell the same securities for several clients at approximately the same time. Magnus may (but is not obligated to) combine or "bunch" such orders to obtain best or to

allocate equitably among the Firm's clients differences in prices that might have been obtained had such orders been placed independently. Under this procedure, transactions will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Magnus does not receive any additional compensation or remuneration as a result of the aggregation.

Magnus generally does not engage in block trading for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If a client enters into a non-discretionary arrangement with Magnus, the Firm may not be able to buy and sell the same quantities of securities for the client and the client may pay higher prices on the securities than clients who enter into discretionary arrangements with Magnus.

### **Item 13 – Review of Accounts**

#### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Magnus monitors investment advisory portfolios as part of an ongoing process. Magnus attempts to have at least one annual meeting (either in person or telephonic) and review with clients. These reviews may include the following:

- comparing the account's allocation with stated goals;
- reviewing holdings and consider alternatives;
- discussing material changes to the client's financial situation;
- monitoring the size of individual securities relevant to their sectors, asset classes, and overall account size;
- analyzing an account's composition and performance, income, appreciation, gains/losses, and asset allocation; and
- assessing the account's performance.

Factors that may trigger an additional review, other than a periodic review, include extraordinary events (*e.g.*, severe market turbulence), changes in the tax laws or major investment developments. Significant changes in a client's financial situation and/or objectives may also trigger a review.

**B. Other Reviews**

Magnus may perform compliance and/or supervisory reviews of a sampling of client accounts. These reviews may include comparing an account's strategy and/or allocation to the account's stated objectives, reviewing costs borne by the account, and reviewing the billing rates and charges.

**C. Content and Frequency of Regular Reports Provided to Clients**

Each client receives or has access to account statements from the qualified custodian of his/her account at least quarterly. In addition, the qualified custodian sends trade confirmation notices to clients. Magnus advisors may also provide clients with periodic reports regarding their holdings allocations and performance.

**Item 14 – Client Referrals and Other Compensation****A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients**

Except for the benefits referenced at Item 12 above, Magnus does not receive benefits from third parties for providing investment advice to clients. Clients do not pay more for investment transactions effected and/or assets maintained at a custodian (or any other institution) as result of this arrangement. There is no corresponding commitment made by Magnus to the custodian, or to any other entity, to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as the result of the above arrangement.

**B. Compensation to non-Supervised Persons for Client Referrals**

Magnus has entered solicitation arrangements with non-Supervised Persons for client referrals. If a client is introduced to Magnus by a solicitor, Magnus may pay that solicitor a referral fee in accordance with the requirements of the Investment Advisers Act and any state securities law regulations. Each arrangement must be in compliance with Rule 206(4)-3 of the Investment Advisers Act.

For each successful referral, Magnus will pay to the solicitor a fee that represents a percentage of the investment management revenue that Magnus charges and collects from the client. The length of each arrangement may vary. In all cases, Magnus requires that potential clients be provided a copy of Magnus' ADV Part 2A Brochure as well as the terms of the specific referral arrangement. The client is not charged the cost of the solicitation of his/her account(s) (*i.e.*, Magnus does not charge referred clients investment management fees that are higher than its



standard rates).

### **Item 15 – Custody**

All clients must utilize a “qualified custodian” as detailed in Item 12. Clients are required to engage the custodian to retain their funds and securities and direct Magnus to utilize the custodian for the client’s securities transactions. Magnus’ agreement with clients and/or the clients’ separate agreement with the BD/Custodian shall generally authorize Magnus through such BD/Custodian to debit the client’s account for the amount of Magnus’ fee and to directly remit that fee to Magnus in accordance with applicable custody rules.

The BD/Custodian recommended by Magnus provides a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Magnus. Magnus encourages clients to review the official statements provided by the custodian, and to compare such statements with investment reports received from Magnus. The account custodian does not verify the accuracy of Magnus’ advisory fee calculation. For more information about Custodians and brokerage practices, see Item 12, *Brokerage Practices*.

In addition, certain clients have established asset transfer authorizations that permit the qualified custodian to rely upon instructions from Magnus to transfer client funds or securities to third parties. These arrangements are disclosed at Item 9 of Part 1 of Form ADV. However, in accordance with the guidance provided in the SEC’s February 21, 2017 *Investment Adviser Association* No-Action Letter, the affected accounts are not subject to an annual surprise CPA examination.

### **Item 16 – Investment Discretion**

Clients have the option of providing Magnus with investment discretion on their behalf, pursuant to a grant of a limited power of attorney contained in Magnus’ investment advisory agreement. By granting Magnus investment discretion, a client authorizes Magnus to direct securities transactions and determine which securities are bought and sold, the total amount to be bought and sold, and the costs at which the transactions will be effected. Clients may impose reasonable limitations in the form of specific constraints on certain areas of discretion with the consent and written acknowledgement of Magnus. See also Item 4(C), *Client-Tailored Advisory Services*.

**Item 17 – Voting Client Securities**

Magnus does not accept authority to vote proxies on behalf of clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their portfolios. Clients receive proxies or other solicitations directly from the custodian or transfer agent.

**Item 18 – Financial Information****A. Balance Sheet**

Magnus does not require prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore does not need to include a balance sheet with this Brochure.

**B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither Magnus nor its management has any financial conditions that are reasonably likely to impair its ability to meet contractual commitments to clients.

Additionally, Magnus did not apply for nor did it receive any Paycheck Protection Program (PPP) loans offered by the Federal government during the Covid-19 crisis.

**C. Bankruptcy Petitions in Previous Years**

Magnus has not been the subject of a bankruptcy petition.

**ANY QUESTIONS:** Magnus' Chief Compliance Officer, David Harrison, remains available to address any questions regarding this Part 2A.